

Message Text

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PAGE 01 JAKART 00668 170941Z

15

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 ISO-00 FEA-01

AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-01 PA-01 USIA-06 PRS-01 /117 W

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R 170030Z JAN 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 6143

INFO AMEMBASSY TRIPOLI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY ABU DHABI

AMEMBASSY CARACAS

USEC BRUSSELS 195

AMEMBASSY JIDDA

AMEMBASSY KUALA LUMPUR

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY MANILA

OECD PARIS 875

USLO PEKING

AMEMBASSY QUITO

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMCONSUL MEDAN

AMCONSUL SURABAYA

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PAGE 02 JAKART 00668 170941Z

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EO 11652: N/A

TAGS: SELECTIVE CUT IN INDONESIAN PETROLEUM PRODUCT PRICE

REF: JAKARTA 15528 (NOTAL)

BEGIN UNCLASSIFIED

1. INDONESIA PRESS JANUARY 13 UNDER ANTARA/AFP BYLINE, REPORTED FROM SOURCES IN JAPAN, THAT INDONESIA'S STATE OIL COMPANY PERTAMINA HAS NOTIFIED JAPANESE OIL IMPORTERS OF \$1 PER BARREL PRICE CUT IN "MINAS HEAVY OIL", RETROACTIVE TO JANUARY 1, 1975. NEW FOB PRICE REPORTED AS \$13.80 PER BARREL AND \$14.40 CIF. ITEM QUOTED OBSERVERS AS ATTRIBUTING PRICE CUT TO SHARP DECLINE IN HEAVY OIL DEMAND BY JAPANESE POWER COMPANIES AND INDONESIA DESIRE TO STIMULATE EXPORTS THROUGH PRICE REDUCTION. REPORT ALSO STATED "STEP WILL HAVE NO SMALL INFLUENCE ON FORTHCOMING TALKS BETWEEN JAPAN AND CHINA ON IMPORTED CRUDE WHICH IS NEARLY IDENTICAL TO THAT OF MINAS." END UNCLASSIFIED

2. PRESS ACCOUNT MISLEADING AND INACURATE IN IMPORTANT RESPECTS. PRODUCT INVOLVED IS NOT CRUDE OIL BUT RATHER LOW SULPHUR WAXY RESIDUE FUEL OIL--A REFINERY PRODUCT PRODUCED FROM NUMEROUS INDONESIA FIELDS--NOT LIMITED TO MINAS. (EMBASSY ESTIMATES THAT WAXY RESID ACCOUNTS FOR ONLY ABOUT 11 PERCENT OF TOTAL INDONESIA CRUDE OIL USE AND ABOUT 15 PERCENT OF COMBINED VALUE OF CRUDE AND PETROLEUM PRODUCT EXPORTS, SINCE INDONESIA EXPORTS 75 PERCENT OF ITS OUTPUT AS CRUDE). CALTEX INFORMS US THEY RECEIVED CONFIRMATION JANUARY 15 THAT NEW PRICE FOR WAXY RESID WILL BE \$13/BARREL FOB,(NOT \$13.80), REPRESENTING \$1.20 BARREL CUT (ABOUT 8.5 PERCENT) FROM PREVIOUS PRICE OF \$14.20/BARRE FOB. PRICE FOR INDONESIA CRUDE OIL EXPORTS REMAINS UNCHANGED AT \$12.60 PER BARREL.

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PAGE 03 JAKART 00668 170941Z

3. CALTEX CONFIRMS THAT HIGH STOCKS AND REDUCED DEMAND IN JAPAN FOR WAXY RESID HAVE CAUSED PERTAMINA TO REDUCE LIFTINGS OF CALTEX CRUDE FOR PROCESSING THROUGH INDONESIA REFINERIES BY ABOUT 175,000 B/D AVERAGE OVER PAST FOUR MONTHS. TAKEN WITH PETROMER TREAN CURBACKS, INDONESIA PRODUCTION RAN ABOUT 15 PER CENT BELOW TARGET DURING THIS PERIOD. THESE SHORTFALLS WE ESTIMATE WILL REDUCE TOTAL FY 1974/75

PRODUCTION FROM ORIGINALLY PROJECTED 529 MILLION BARRELS TO ABOUT 500 MILLION OR LESS AND CAUSE OIL TRADE EARNINGS LOSS OF ABOUT \$400 MILLION, TO TOTAL OF \$5.7 BILLION GROSS OR LESS, AND NET OIL EARNINGS OF BELOW \$3 BILLION. CALTEX SOURCES STATES THAT NOW HOWEVER COMPANY IS AGAIN PRODUCING NEAR CAPACITY AT SOMETHING OVER 900,000 B/D. TREND REMAINS SHUT IN.

4. COMMENT. BY THIS DECISION INDONESIA PRESUMABLY HOPES TO RESTORE PRODUCTION LEVELS WHILE MAINTAINING \$12.60 PRICE FOR ITS CRUDE EXPORTS. HOWEVER, IT HAS YET TO RESOLVE OBSTACLE TO RESTORING PETROMER TREND PRODUCTION LEVELS. THIS CRUDE SOMEWHAT EXCEEDED LIMITS ON SULFUR CONTENT AND REMAINS UNSALABLE AT \$12.60/BARREL IN PRESENT MARKET CONDITIONS. HITHERTO, PERTAMINA HAS RESISTED CHANGES IN ANY OF ITS EXPORT PRICES TO AVOID APPEARANCE OF UNDERCUTTING OPEC PRICES. DECISION TO REDUCE PRICE ON WAXY RESID REPRESENTS WILLINGNESS TO DIFFERENTIATE PRODUCT PRICING, AND COULD BE PRELUDE TO ADJUSTING PRICE FOR PETROMER TREND CRUDE ON BASIS ITS SIGNIFICANTLY HIGHER SULFUR CONTENT.

5. UNABLE TO SEE HOW PERTAMINA DECISION ON WAXY RESID PRICE WOULD EFFECT CHINA/JAPAN CRUDE OIL TALKS, OTHER THAN AS REFLECTION OF SOFT FUEL OIL MARKET. NEWSOM

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